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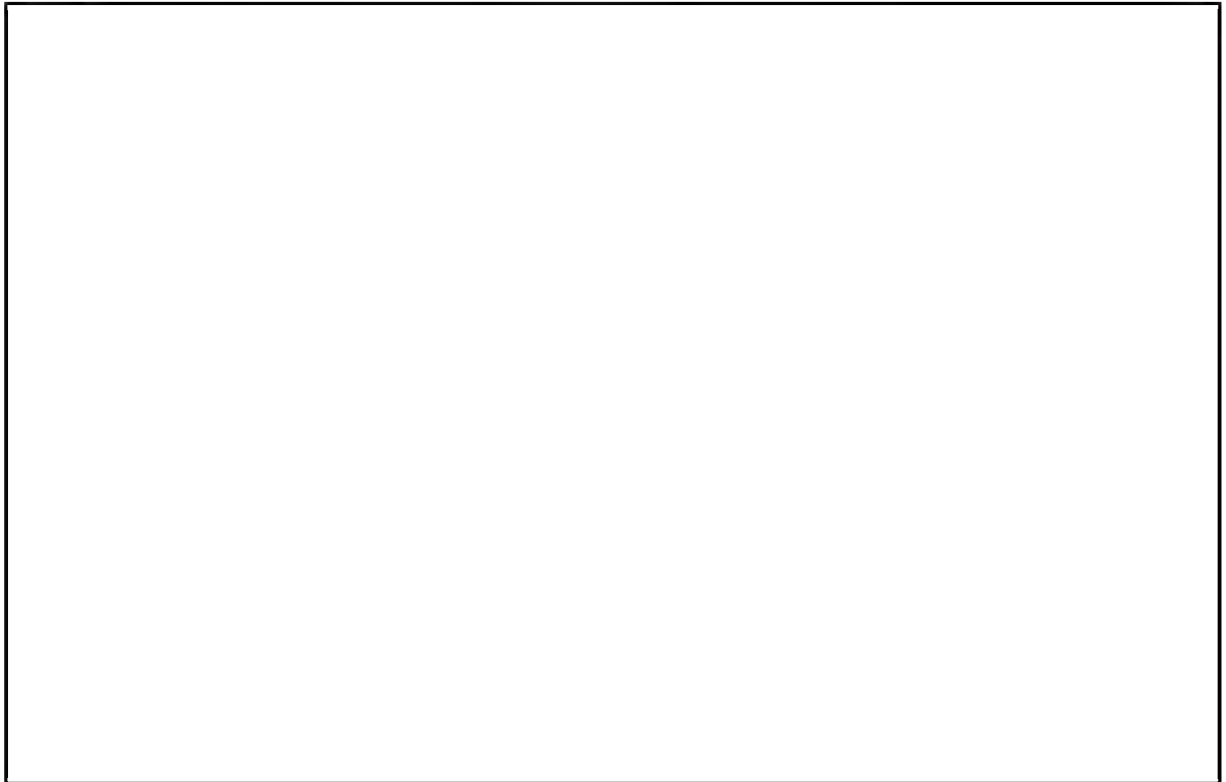
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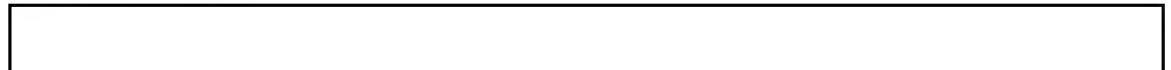
Contents



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Special Analyses

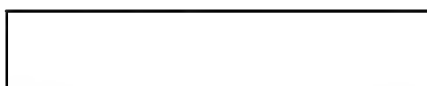
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USSR-Romania: *Ceausescu's New Challenge* . . . 14

Overnight Reports 17

25X1



25X1

25X1

Approved For Release 2004/07/08 : CIA-RDP79T00975A031000140001-1

Next 16 Page(s) In Document Exempt

Approved For Release 2004/07/08 : CIA-RDP79T00975A031000140001-1

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USSR-ROMANIA: Ceausescu's New Challenge

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The USSR has so far acted cautiously in its public dispute with Romania over Warsaw Pact policy. There is a range of economic and military pressures the Soviets could use against Romania to force it into line. Romanian President Ceausescu, however, has had many years of experience in testing the limits of Soviet toleration.

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The Soviet-Romanian rift that came to a head at the Warsaw Pact summit meeting in Moscow in late November followed a year of Romanian initiatives designed to strengthen ties with the US, Western Europe, and China.

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The Soviets found Ceausescu's overtures toward the Chinese particularly annoying.

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Ceausescu is evidently playing his Chinese card in an effort to strengthen his assertion of Romania's "independent" and "national" foreign and defense policies. For some years, the Romanian leader has publicly rejected the so-called Brezhnev Doctrine--the thesis that the sovereignty of the USSR's allies in Eastern Europe is limited by their common objectives. He has stated unequivocally that the Romanian armed forces are subject only to national control, not that of the Warsaw Pact. He has condemned military maneuvers on the territory of other states in the hope that he thereby could forestall such maneuvers on Romanian soil.


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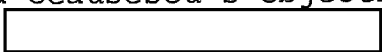


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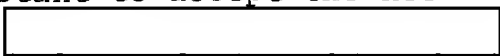
The dispute at the summit meeting in November led to the most public airing of disagreements between the USSR and Romania since Ceausescu's condemnation of the Soviet invasion of Czechoslovakia in 1968. The Romanian leader evidently had concluded that Soviet proposals at the summit would, if accepted, result in another move toward Soviet domination of the Pact. He presumably thought his best chance of heading off the Soviet effort was to go public with his opposition. 

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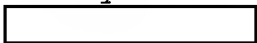
Possible Soviet Responses

The Soviets have responded cautiously thus far to the Romanian challenge--but they have signaled a willingness to take the Romanians to task. Two weeks after the summit, President Brezhnev strongly reaffirmed the Pact's commitment to the policies Ceausescu challenged and castigated Ceausescu's objections to them as "demagogic." 


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The Soviet media began a new phase of the dispute with authoritative refutations of the Romanian position that were designed to persuade the Romanians to come to terms and to reassure other Pact members that might be similarly reluctant to accept the need for further military efforts. 

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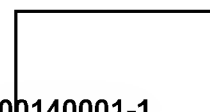
The Romanians evidently believe that the most likely form of Soviet pressure would be economic; the Romanian economy could in fact be hurt by a Soviet economic squeeze that had the support of other Pact countries. More than 40 percent of Romania's trade is with its East European neighbors, which are important sources of coking coal, iron ore, and ferrous metals critical for Romanian industrial production. The Pact countries are also a major market for many Romanian exports--particularly consumer goods difficult to market in the West. 

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The Soviets might calculate, however, that any pressure tactic could lead Romania to seek more aid from the West--a development that the Soviets wish to avoid. 

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Soviet military power is the ultimate sanction against Ceausescu's behavior, but under current circumstances the Soviets are not likely to resort to military intervention. Such a course would compromise detente with Western Europe and freeze Soviet-US relations. Varying degrees of military pressure short of an invasion, such as maneuvers close to the Romanian border, could have some effect. Military pressure, however, would risk solidifying support for Ceausescu at home and strengthening arguments within NATO for increased military expenditures. 

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Prospects

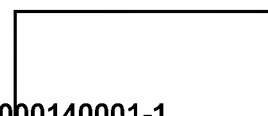
The Soviet actions toward Romania so far suggest that the USSR is not reluctant to acknowledge the current strain in relations but at the same time is trying to limit damage to its own prestige and avoid making Ceausescu even more recalcitrant. Soviet commentary has been more in the nature of a lecture than a warning.

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The Soviets, however, will probably continue to seek ways--including the threat of punitive measures--to convince Ceausescu to moderate his positions. 

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Ceausescu for his part appears to have understood the Soviet message and is well aware of the limits of Soviet toleration and of the need to lower tensions before events reach a breaking point. Ceausescu's decision to send Foreign Minister Andrei to Moscow late this month suggests that the Romanian leader has decided that it is time at least to begin discussing his differences with the USSR. 



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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

West Germany - Saudi Arabia

The West Germans have informed the US Embassy that Chancellor Schmidt briefed visiting Saudi Foreign Minister Saud last Friday on the Guadeloupe summit. According to the West Germans, Saud "did not react negatively" when Schmidt broached the proposal, discussed at Guadeloupe, to stretch out the oil price increases from one year to two. Saud expressed concern about the impact of Iranian oil production problems and said an international understanding was needed on how to make up for the loss. When Schmidt discussed the subject of aid to Turkey, Saud welcomed the news and said that his government would assist Turkey "in our own way." The West Germans regard Saud's remarks on the two subjects as "encouraging."



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USSR-China

The US Embassy in Moscow reports that an article in *Pravda* on Friday drew attention to the Soviet-Mongolian mutual assistance protocol of 1936 and cited a Mongolian military officer as charging that today's "Maoists" are moving on the same path as the "border trespassers," the Japanese, defeated by Soviet-Mongolian forces in the summer of 1939. The *Pravda* piece thus is not pegged to the anniversary of that battle, and the Embassy has learned that Mongolian media are giving prominence to a tour of military units near the Sino-Mongolian border by Mongolian leader Tsedenbal, the Mongolian Defense Minister, the head of Mongolia's border army, and the Soviet Ambassador. The Embassy notes that the Soviets probably intend these steps as "reminders" to China that the USSR will abide by its treaty commitments to its allies on China's periphery, including Vietnam.



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USSR - Southeast Asia

A Malaysian diplomat recently told the US Embassy in Moscow that the USSR has invited Malaysian Prime Minister Hussein to make an official visit. The Embassy says the timing of the invitation presumably reflects Soviet concern about the deep apprehensions of ASEAN member-states growing out of Vietnam's incursion into Kampuchea. It also notes that the Soviet press is at pains to give a "business as usual" coverage to Southeast Asia, treating the fighting in Kampuchea as a purely internal, welcome uprising and praising any bits of evidence that individual ASEAN states seek improved relations with Hanoi and the new regime in Phnom Penh. The Malaysian diplomat said that Hussein is not likely to visit Moscow in the near future given the recent events in Kampuchea. [REDACTED]

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Namibia

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UN Secretary General Waldheim's special representative for Namibia, Martti Ahtisaari, [REDACTED] is expected to return to UN headquarters today. UN Undersecretary General Urquhart yesterday told US officials he was concerned about the South Africans' exclusion of Finland and Sweden from their list of countries to provide a UN military force in Namibia. He said that Finland's exclusion would undercut Ahtisaari, a Finnish citizen, "right from the start" and that the contemplated Swedish logistics unit is "essential" for the transport and supply of UN elements. Urquhart said a number of countries on the South Africans' list would be either politically unacceptable or unable to contribute the required troops. [REDACTED]

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Canada-USSR

According to the US Embassy in Ottawa, Canada today will ask the USSR for \$6,041,174.70 (Canadian money) in compensation for damage caused by the Cosmos 954 nuclear-powered satellite when it crashed on Canadian soil a year ago tomorrow. The amount being requested does not include costs incurred by the US in connection with the incident. The US had officially left that decision solely up to Canada, and Ottawa yesterday informed the US that only Canadian costs would be cited.

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Venezuela-Nicaragua

Venezuelan President Perez, in a talk with US Ambassador Luers on Sunday, said he believes that the Nicaraguan situation is grave, that the mediation process is over, and that the US must soon act firmly to prevent Nicaragua from becoming the Achilles' heel of President Carter's Latin American policy. Perez is sending Foreign Minister Consalvi and Venezuelan Cardinal Quintero to Mexico to meet with Pope John Paul II, who arrives there Friday, and alleged that Sandinista leader Pastora would also confer with the Pope. He pledged "full support" to the Sandinistas but denied he would give them arms or money. Perez also claimed to have a plan ready to attack President Somoza's bunker and the National Guard barracks, both in Managua, should Nicaragua invade Costa Rica. Ambassador Luers comments that the remarks were "vintage Perez" and that his desire to be helpful on US policy toward Nicaragua is increasingly in conflict with his passion to see Somoza gone before Perez' term expires on 13 March. The Ambassador regards the threat to bomb Managua as saber rattling--he doubts Perez would risk civilian casualties--but adds that Perez might order an attack on airfields were Nicaragua to move on Costa Rica.

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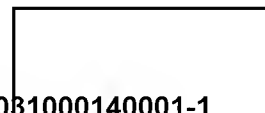
UK

According to press reports, Prime Minister Callaghan has called a special session of senior cabinet ministers for today for further review of whether a state of emergency should be called. Home Secretary Rees indicated during a stormy debate in the House of Commons last night that such a step may be imminent. The national railway system is shut down again today, and yesterday's strike activity by many types of workers reportedly had more people, some 1.5 million, on strike than at any time since the general strike in 1926.

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